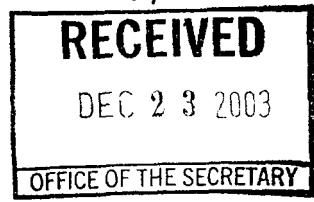


CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA



THOMAS J. DONOHUE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
2021463-5300 • 2021463-5327 FAX

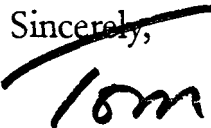
December 11, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

Re File No S7-19-03

Dear **Mr.** Katz:

On behalf of the U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector and region, please find enclosed a copy of an article entitled "SEC Proxy Plan is a Threat to Business, Boon to Labor." This article was published in Investor's Business Daily on Thursday, December 4, 2003. I am submitting this publication for inclusion in the public comment file for File No. S7-19-03.

Sincerely,


cc: Hon. William H Donaldson-Chairman, U.S. Securities and Exchange
Commission
Hon. Paul Atkins, Commissioner
Hon. Roel Campos, Commissioner
Hon. Cynthia A. Glassman, Commissioner
Hon. Harvey Goldschmid, Commissioner
Alan L. Beller-Director, Division of Corporation Finance
Giovanni P. Prezioso, General Counsel

VIEWPOINT

SEC Proxy Plan Is A Threat To Business, Boon To Labor

BY THOMAS J. DONOHUE

The Securities and Exchange Commission has devised an unfortunate proposal that could seriously impair the competitiveness of America's best companies, put proprietary business information at risk, and needlessly complicate corporate governance issues at a time when corporations are already struggling to navigate a plethora of new regulations.

Conceived as part of its mission to protect investors and encourage strong boards of directors, the SEC has proposed giving certain minority shareholders access to corporate proxy materials in order to nominate their own board candidates.

In theory, this so-called proxy proposal sounds reasonable and democratic.

But in practice, it has the potential to invest enormous power in a small number of special-interest investors at the expense of all others.

Specifically, unions and public employee pension funds are the "investors" best positioned to hijack the nominating process and put forward nominees beholden to their particular bloc of shareholders.

Divergent Interests

By letting such investors use America's best companies to advance their own social and political agendas, we could end up hurting the very investors and workers the proposal is supposedly designed to protect. The replacement of experienced, involved directors with nominees beholden to a special interest will result in divisive boards that are

incapable of working together as a team to oversee the performance of the company and protect the rights of shareholders.

The temptation to leak confidential information regarding impending business decisions — especially decisions the special interest director opposes — would be great. This would give such directors undue leverage over corporate decision-making and actually inhibit the free

As recent history has shown us again and again, when investors decide to run toward or away from a stock, they exert an exacting and demanding influence over corporate management

flow of ideas and advice in the boardroom.

In a fiercely competitive global economy, our companies must be highly focused on developing new products, unearthing new markets and creating new, good-paying American jobs — not catering to the demands of powerful minority shareholders who have placed their agendas first and the companies' success second.

Then there's the issue of state law. The election of directors is a complicated process whose structure and procedures are governed by state law.

While the SEC attempts to pay

homage to state corporate law, the proposed SEC rule is a serious incursion on the long-standing American tradition of honoring the role of the state where a company is incorporated. The SEC is proposing a federal standard for director responsiveness and putting itself in the role of national arbiter. This overrides the policy prerogatives historically held in this country by state legislatures and courts.

Before the SEC rushes headlong into more regulation, it would be much wiser to gauge the full impact of Sarbanes-Oxley and the new New York Stock Exchange and Nasdaq listing standards.

These reforms, put in place only within the last year, are designed to provide new accountability and greater oversight by corporate boards. The SEC runs the risk of putting even more layers of regulation on companies before we've had time to evaluate the new procedures.

For these reasons, the proxy proposal should be withdrawn.

The business community, arguably more than any other sector of our society, depends on honest, transparent and investor-driven equity markets for its growth and survival.

Shareholder Power

We believe in strong boards of directors that provide seasoned counsel and oversight.

We also support tough laws governing corporate behavior, along with vigorous enforcement and adequate resources to uphold those laws.

We know, as well, that shareholders already wield the ultimate power over public companies. It's the power of the marketplace.

As recent history has shown us again and again, when investors decide to run toward or away from a stock, they exert an exacting and demanding influence over corporate management.

By continuing to improve the quality and transparency of information from companies, analysts, institutional investors and the financial media, we can strengthen these market forces and ensure that companies are rewarded for performance and success.

■ Tom Donohue is president and chief executive of the U.S. Chamber of Commerce.